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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION OF  
TUCSON ELECTRIC POWER COMPANY  
FOR APPROVAL OF ITS 2016 RENEWABLE  
ENERGY STANDARD IMPLEMENTATION  
PLAN.

Docket No. E-01933A-15-0239

E-01933A-15-0322

**RUCO'S CLOSING BRIEF**

The Residential Utility Consumer Office ("RUCO") hereby submits its Closing Brief on the matters raised in Tucson Electric Power's ("TEP" or "Company") application for approval of its 2016 Renewable Energy Standard.

**1) Introduction**

There are several issues which remain outstanding. First concerns approval of the TEP-owned Residential Solar Program ("TORS") program. The second issue concerns approval of TEP's community solar program. Finally, there is the question of whether TEP's community solar program should count as DG for purposes of the Renewable Energy Standard ("RES") compliance and 2016 DG waiver.<sup>1</sup>

<sup>1</sup> There is a legal issue of whether the Company can legally operate a third party community solar program. RUCO is still reviewing the legalities and plans on addressing the issue in its Reply Brief.

1 In general RUCO is supportive of TEP's 2016 REST filing. RUCO-1 at 2<sup>2</sup>. RUCO supports  
2 TEP's application to expand the TORS program. RUCO also supports counting an approved  
3 Community Solar program towards RES compliance. RUCO does not support TEP's  
4 proposed community solar program as proposed.

5 **2) The Commission should approve TEP's proposed TORS program.**

6 TEP proposes to expand the TORS program in 2016 by investing up to an additional  
7 \$15 million and expanding participation by an additional 1,000 customers. TEP Application at  
8 10. RUCO generally views this issue as a prudency question for the upcoming rate case.  
9 RUCO-1 at 3. The Company does not seek cost recovery through its REST implementation  
10 tariff and agrees that the prudency and cost recovery issues will be dealt with in its next rate  
11 case. Id.

12 To the extent RUCO has a major concern regarding this program it is the assurance  
13 that there is cost parity with the cost of third party installs. Generally, the concept of cost parity  
14 is simple – the ratepayer cost per TEP owned PV system should not be more than the fixed  
15 cost shift from a similarly sized net metered PV system. RUCO-2 at 2. The Commission  
16 made this its policy when it approved TEPs initial 2015 TORS program. Decision No. 7884  
17 states in relevant part:

18 "IT IS FURTHER ORDERED that Tucson Electric Power Company should ensure  
19 that the cost of the utility-owned residential distributed generation program is similar  
20 to that of third-party programs. Accordingly, TEP should commit to cost parity with  
21 current net metering rates, and if rate design is addressed in the future in a way that  
22 materially impacts existing net energy metering participants, TEP should evaluate

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24 <sup>2</sup> For ease of reference, trial exhibits will be identified similar by their identification in the Transcript of  
Proceedings. The transcript volume number will identify references to the transcript.

1 options for existing solar customers, as well as TEP DG customers, to minimize any  
2 cost parity issues between the two groups and unintended impacts.”

3 Decision No. 74884 at 22.

4 In the event that it is determined that the TORS program cost is greater than the third  
5 party cost shift, the overage would not be recovered by the Company. RUCO-2 at 3.  
6 Moreover, should the cost shift be addressed and a solution found which eliminates the cost  
7 shift, then the TORS program will also be eliminated. Again, the reason why RUCO can  
8 support the TORS program was and still remains cost parity with the third party installs.

9 **3) The Commission should reject TEPs proposed community based solar**  
10 **program.**

11 RUCO supports TEP's efforts to bring low cost grid scale solar to individual residential  
12 customers through community solar. This option would allow more residential customers to  
13 participate in solar -- including those that cannot not procure traditional rooftop systems.

14 TEPs proposed community solar program, while well-intentioned, does not go far  
15 enough. It is designed for the homeowner, the same group that generally accesses rooftop  
16 solar. It does not provide market/business model equity in the form of an alternate third-party  
17 centric model. RUCO-1 at 5.

18 The whole point of community solar, from RUCO's standpoint is to bring solar to a  
19 broader spectrum of residential customers like renters and other alternative ownership  
20 ratepayers. The Company's program does not capture this benefit. Id.

21 Nor does the Company's proposal allow for customers to make up-front payments. Id.  
22 For example, a customer could supply the debt portion of the system costs. This could lead to  
23 lower costs for all ratepayers and a better return for customers than today's typical financial  
24 investments (e.g. bank CDs) for the participants. For example, a customer could supply

1 \$5,000 toward the capital cost of the system and receive a 2.5% return and a fixed electric bill  
2 for 10 years. In essence, the customer replaces the traditional utility debt lender. This is an  
3 easy fix which could lower the cost of the program and provide residential ratepayers with  
4 some flexibility and savings.

5 RUCO's suggestions are simple fixes and will allow bring the Company's community  
6 program more in line with its intended purpose. The Commission should approve RUCO's  
7 suggestions.

#### 8 **4) 2016 DG Waiver**

9 RUCO is comfortable with the temporary waiver of the REST DG requirements that the  
10 Company has requested for 2016. The DG market appears to be healthy and self-sustaining  
11 for the time being. That said, RUCO still encourages the Commission to establish a REC  
12 exchange policy.

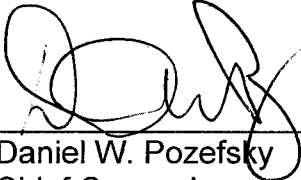
#### 13 **5) Modification to the REST distributed generation definition**

14 At this time RUCO is persuaded by the Company's argument that there is no significant  
15 difference in the economic value of solar installations located on the customer's side of the  
16 meter versus the utility's side of the meter (assuming both are interconnected within the  
17 Company's distribution system). Until RUCO hears a compelling argument to the contrary,  
18 RUCO supports the Company's efforts to pursue the most cost effective solar systems to meet  
19 the DG carve out.

1                   **6) Conclusion**

2                   For the above reasons the Commission should approve RUCO's recommendations

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4                   RESPECTFULLY SUBMITTED this 10th day of June, 2016

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